

# **COMMONWEALTH OF VIRGINIA**

## ***Office of the Governor***

**Timothy M. Kaine**  
Governor

**FOR IMMEDIATE RELEASE**  
February 27, 2008

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### **GOVERNOR KAINE PROPOSES LEGISLATION TO PROTECT HOMEOWNERSHIP**

*~ Legislation aimed at subprime mortgage holders requires enhanced communication between  
lenders and borrowers ~*

**RICHMOND**—Governor Timothy M. Kaine today announced proposed legislation designed to protect and preserve homeownership for Virginia's working families and communities in light of current foreclosure trends.

"Virginia's foreclosure rate has more than doubled from the first quarter of 2006, and many of our working families are facing significant difficulty keeping their homes," Governor Kaine said. "This bill would give homeowners extra time and access to counseling that might allow them to keep their homes,"

Subprime loans made up 28 percent of mortgages originated in the Commonwealth in 2005 and 30 percent of new loans in 2006. Because interest rates are now increasing on those loans, there is a significant risk that the foreclosure rate will continue to rise. In the third quarter of 2007, 9,200 homes were foreclosed, with 5,900 of them involving subprime loans. Subprime lending was heavily concentrated among minority borrowers. In 2005, 47 percent of loans to African Americans in Virginia were subprime; 38 percent of loans to Hispanics were subprime.

The Governor's bill would provide homeowners who have subprime loans on their homes with avenues to counseling information prior to receiving an acceleration notice. It would also give them the option of pausing their foreclosure for 30 days while they attempt to work out ways to avoid foreclosure. The bill was drafted with input from the Virginia Foreclosure Prevention Task Force and a wide variety of bankers, lenders, realtors and homeowner advocates.

The bill requires:

- Lenders and loan services to send borrowers who are in default a notice at least 10 business days before a final acceleration notice.
- That if the borrower contacts the lender prior to the date specified in the notice, the lender shall provide the borrower at least 30 additional calendar days before sending the borrower a notice of acceleration.
- That if the borrower fails to contact the lender by the specified date, the lender may send a notice of acceleration and require immediate repayment of all sums owed under the loan agreement.

The bill stems from the work of the Virginia Foreclosure Prevention Task Force, which the Governor formed last November to minimize the impact that rampant foreclosures have on the economies of other states. The Task Force, which is chaired by Virginia Secretary of Commerce and Trade Patrick Gottschalk, is pursuing additional measures to address foreclosure, including training for housing counselors. Training will be conducted by the Virginia Housing Development Authority (VHDA) and NeighborWorks® America.

“Beginning in mid-March, housing counselors across Virginia will begin training in all facets of loss mitigation, a process to help those having trouble making their home loan payments,” Secretary Gottschalk said. “This training will increase the number of housing counselors available to guide borrowers through the steps of foreclosure prevention, including contacting lenders quickly, establishing a budget, and identifying possible repayment plans.”

Additional partners in this training will include the Federal Reserve Bank of Richmond, U.S. Dept. of Housing and Urban Development’s Richmond Field Office and the U.S. Dept. of Agriculture’s Rural Housing Service. Other partners assisting in the foreclosure prevention training initiative by providing materials or other support are Housing Opportunities Made Equal (HOME), Virginia Poverty Law Center, Arlington Home Ownership Made Easier (AHOME), Virginia Cooperative Extension of Prince William County, Catholic Charities of Eastern Virginia, Blue Ridge Housing Development Corp. and People Incorporated of Southwest Virginia.

The organizations will provide a comprehensive curriculum for the foreclosure prevention training that covers all facets of loss mitigation counseling, including:

- Role of the Counselor
- Steps in the Foreclosure Counseling Process
- Work-Out Options for Government-Backed and Conventional Loans
- Elements of a Loan Workout Package
- Working with Loan Servicers
- Recognizing Signs of Predatory Mortgage Loans
- Foreclosure Scams
- Case Studies

Training is to be provided to non-profits, local governments, and local housing agencies. Housing counselors completing the training will receive a VHDA Certificate of Completion for Loss Mitigation Counseling.

For more information about the VHDA foreclosure prevention initiative, contact VHDA at 1-877-VHDA-123.

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